



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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June 02, 2016

To

All Non-Banking Financial Companies

Dear Sirs,

**Refinancing of Project Loans**

Please refer to circular DNBS.(PD).CC.No.371/03.05.02/2013-14 dated March 21, 2014, issued by Department of Non-Banking Supervision on Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalising Distressed Assets in the Economy.

2. In view of the references received from NBFCs and on the lines of instructions contained in circulars, DBOD.BP.BC.No.98/21.04.132/2013-14 dated February 26, 2014 and DBOD.BP.BC.No.31/21.04.132/2014-15 dated August 07, 2014 issued by the Department of Banking Operations and Development on Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures and Refinancing of Project Loans, respectively, it has been decided that similar instructions on refinancing of projects loans be extended to NBFCs also.

3. Accordingly, NBFCs may refinance any existing infrastructure and other project loans by way of take-out financing, without a pre-determined agreement with other lenders, and fix a longer repayment period, the same would not be considered as restructuring if the following conditions are satisfied:

- i. Such loans should be 'standard' in the books of the existing lenders, and should have not been restructured in the past;
- ii. Such loans should be substantially taken over (more than 50% of the outstanding loan by value) from the existing financing lenders; and
- iii. The repayment period should be fixed by taking into account the life cycle of the project and cash flows from the project.

4. For existing project loans where the aggregate exposure of all institutional lenders is minimum ₹ 1,000 crore, NBFCs may refinance such loans by way of full or

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partial take-out financing, even without a pre-determined agreement with other lenders, and fix a longer repayment period, and the same would not be considered as restructuring in the books of the existing as well as taking over lenders, if the following conditions are satisfied:

- i. The project should have started commercial operation after achieving Date of Commencement of Commercial Operation (DCCO);
  - ii. The repayment period should be fixed by taking into account the life cycle of and cash flows from the project, and, Boards of the existing and new lenders should be satisfied with the viability of the project. Further, the total repayment period should not exceed 85% of the initial economic life of the project / concession period in the case of PPP projects;
  - iii. Such loans should be 'standard' in the books of the existing lenders at the time of the refinancing;
  - iv. In case of partial take-out, a significant amount of the loan (a minimum 25% of the outstanding loan by value) should be taken over by a new set of lenders from the existing financing lenders; and
  - v. The promoters should bring in additional equity, if required, so as to reduce the debt to make the current debt-equity ratio and Debt Service Coverage Ratio (DSCR) of the project loan acceptable to the NBFCs.
5. A lender who has extended only working capital finance for a project may be treated as 'new lender' for taking over a part of the project term loan as required under the guidelines.
6. The above facility will be available only once during the life of the existing project loans.

Yours faithfully

(C.D. Srinivasan)  
Chief General Manager